HAWAIIAN TELCOM
Weekly Update Significant Activities
September 14, 2006

Back Office System Conversion

A key element of recreating Hawaiian Telcom into an independent, locally-managed telecommunications company is the development of its own back office systems. Previously, its back office systems were primarily provided by Verizon Communications through systems and data centers located on the mainland. Work on building the Hawaii back office systems began well before May 2005 when Verizon Hawaii became Hawaiian Telcom. In April 2006, the cutover from the old back office systems to Hawaiian Telcom's newly developed systems began.

Information regarding new bill format and other changes can be found on the Hawaiian Telcom web site at www.hawaiiantel.com

Telecommunications Network Functioning Well

Of paramount importance with the cutover was minimizing any adverse impact to the operation of the Company's network which serves as the State of Hawaii's telecommunications backbone. Since the cutover, critical elements such as the E911 emergency services, operator services, directory assistance and the telecommunications network in general have continued to function well. For example, two common measures of network performance are called the *Percent Of Dial Tone Speed Within 3 Seconds* and *Percent Toll Trunks > P.0005 Grade of Service.* The *Percent of Dial Tone Speed* metric measures whether customers are able to pick up the receiver and dial within a preset time. The *Percent Toll Trunks* metric is a measure of whether calls are able to get through without being blocked because of heavy call traffic on toll (i.e., long distance) trunks. Both of the measures of how the telecommunications network is performing continue to reflect network performance at, or better than, levels prior to the cutover.

Network Performance

Network performance is doing well based on comparison to preset standards for performance.

Customer Contact Centers

The Company's customer contact centers experienced a significant increase in call volume when the system cutover began in early April. Initially, the high call volume was due to a combination of factors including service calls resulting from the extreme weather conditions that were occurring throughout the month of February and March (e.g., 40 days of heavy rain) and customers calling with questions about the conversion of their email and internet access from Verizon to Hawaiian Telcom (for example, changing email addresses from verizon.net to hawaiiantel.net).

This increase in volume occurred at the same time company representatives were becoming more familiar with the new Hawaiian Telcom customer-interfacing systems and adapting to performing certain processes on a manual basis until the systems cutover became fully functional. The combination of the longer call handling times on the converted systems and the higher call volumes resulted in the time customers may have been on hold being longer than normal.

Contact Center Availability

Historical call volumes to Hawaiian Telcom's contact centers vary considerably by day of the week and time of the day. The Company encourages customers to call during the days and times that are not as busy and that are convenient for them.

Billing Statement Intervals "Compressed" Temporarily

In mid-April, Hawaiian Telcom began issuing billing statements to its customers using its own billing system. After the Company detected a software error that impacted approximately 12,000 customers, Hawaiian Telcom immediately suspended the further issuance of billing statements. The subsequent commencement of the billing statements after the initial suspension resulted in "shorter-than-normal", or compressed, intervals between billing statements through the end of June and early July.

During the period that billing statements were issued with the compressed

Billing Statement Intervals

Billing statements were temporarily issued using intervals between a customer's bills that were shorter than the normal 30 days. As of July, the interval for billing statements has returned to the typical 30 days for all customers.

intervals, some customers experienced bills that did not reflect payments that they may have made or contained other billing errors that were attributable to the compression of the billing statement intervals. The errors in the bills resulted in high volumes of customers calling into the contact centers with questions or seeking assistance with their bills.

Billing intervals for all customers returned to the typical 30-day interval which will significantly reduce the number of bills issued that do not timely reflect payments made.

Customer Contact Center Accessibility Update

The volume of calls to the Company's contact centers has lessened since the initial period following the system conversions although they remain higher than normal. The reduction in the call volumes, combined with actions taken internally by the Company to address the higher call volumes, have resulted in improvements in customers accessing representatives in Hawaiian Telcom's call centers.

Since the conversion, the Company has significantly increased the number of personnel fielding calls in the contact centers, made available more information on its web site, increased messaging on its interactive voice response system, modified call routing within the call centers and a number of other actions that have helped to address the higher call volumes and longer transaction times for customers calling into the contact centers.

Answer time statistics, which reflect the ability of customers to reach customer representatives, in the customer contact centers continue to improve. The Company's long distance and directory assistance contact centers continued to reflect extremely strong answer time measurements through the system conversions. The answer time statistics based on a stringent threshold of only 10 seconds for the long distance and directory assistance operators are shown below:

	Percent of Operator Toll Calls Answered in 10 seconds	Percent of Directory Assistance Calls Answered in 10 seconds
2005 Average	89.57	89.67
2006 Jan	88.28	90.51
Feb	89.23	89.40
Mar	87.34	88.60
Apr	91.49	86.30
May	89.66	87.59
Jun	83.74	78.37
Jul	89.89	87.13
Aug*	90.83	91.31
Sep**	91.97	91.57
* Preliminary August month-end results. ** September month-to-date (1st-9th) results.		

Answer time statistics for the residential and business contact centers as well as the repair center for the month of August continued to show improvement in customers accessing the centers. For the month of August, when measured against a short 20-second target in which to answer calls, all call centers continued to reflect improved answer times. For the second week of September (3rd – 9th), the answer time statistics were impacted negatively by the higher call volumes that are typically experienced on the first Monday of a month and on the day after a holiday. Both of those two events, that historically result in higher call volumes, occurred in the second week of September with the start of the month and following the Labor Day holiday.

Historically, higher call volumes are experienced on the first Monday of a month and the day after a holiday. Both occurred during the week of September 3rd – 9th resulting in higher call volumes and a decrease in call answer times.

The percent of calls being answered by a contact center representative using a two-minute threshold is also shown below.

	Percent of Repair Calls Answered		Percent of Business Office Calls Answered		Percent of Residential Office Calls Answered	
	In 20 Seconds	In 2 Minutes	In 20 Seconds	In 2 Minutes	In 20 Seconds	In 2 Minutes
2005 Average	89.96		88.23		87.46	
2006 Jan	82.77		91.78		87.71	
Feb	88.43		87.84		76.67	
Mar	82.27		89.98		68.13	
Apr	36.66		44.59		19.75	
May	44.50		12.83		8.01	
Jun	27.27		17.15		10.37	
Jul	41.00		34.22		11.41	
Aug*	62.33		78.82		25.51	
Sep**	46.41	64.60	45.20	58.20	10.15	14.62
* Preliminary August month-end results.						
** Second week September (3rd – 9th) results.						

Consistent with the answer times reflected in the table above, the "hold times" (time customer waits in the call queue) for the week have also impacted negatively by the higher call volumes experienced because of the first Monday of the month and the day after a holiday. The average hold times for the contact centers for the past week were: Repair – 2 minutes and 27 seconds; Residential – 8 minutes and 56 seconds; and Business – 2 minutes and 55 seconds.

Calling During Lower Call Volume Times
As with all call centers, a customer's call into a Hawaiian Telcom contact center could be impacted by the volume of calls to the center at the time of the call. Historically, the pattern of calls into the Company's call centers varies by the time of day and by the day of the week. Generally, a call by a customer during the days and times when call volumes are lower would result in shorter holding times to reach a company representative. Hawaiian Telcom encourages customers to call during the days and times that are not as busy and that are convenient for them.

Following are charts that display the historical call volume patterns for the residential and business contact centers that callers can consider when contacting Hawaiian Telcom. The Company's repair contact center accepts calls on a 24/7 basis and customers to that call center are encouraged to call as needed.

CONSUMER SALES & SERVICE CENTER
(Residential Customers)
Phone Numbers: 643-3456; 643-3343
Hours of Operation: Monday-Friday, 7am - 6:00pm
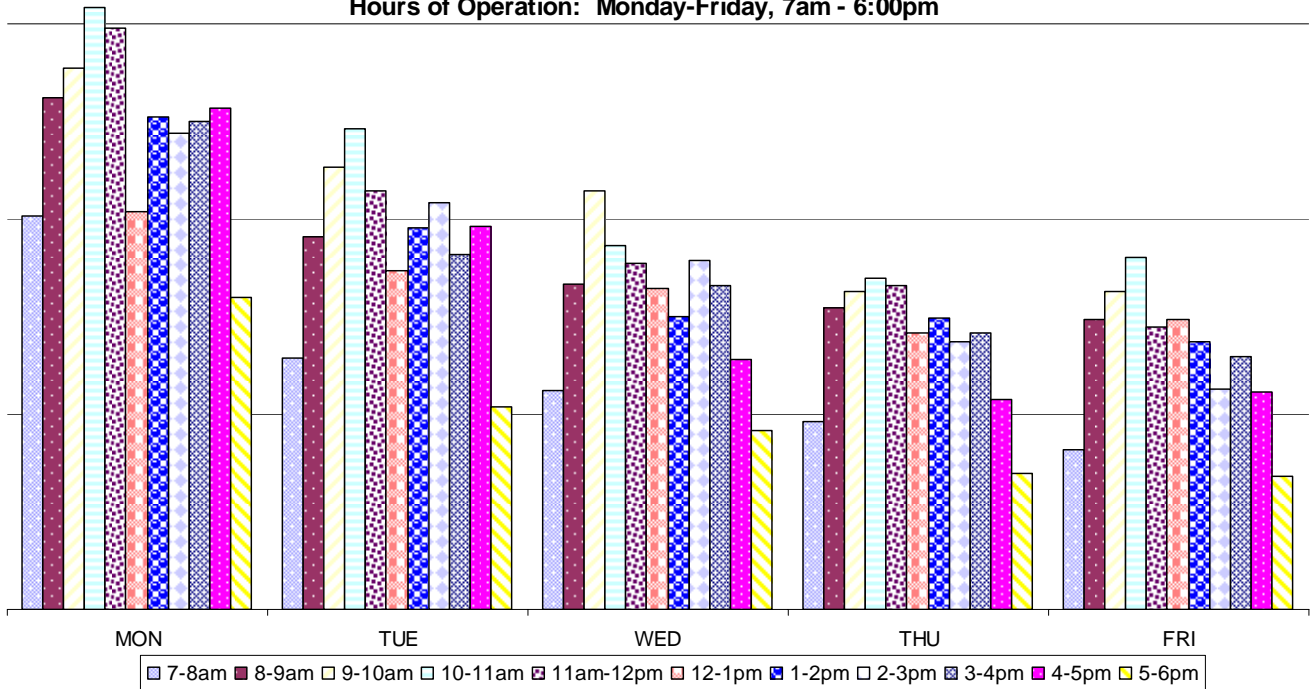
Legend: ☐ 7-8am ☐ 8-9am ☐ 9-10am ☐ 10-11am ☐ 11am-12pm ☐ 12-1pm ☐ 1-2pm ☐ 2-3pm ☐ 3-4pm ☐ 4-5pm ☐ 5-6pm
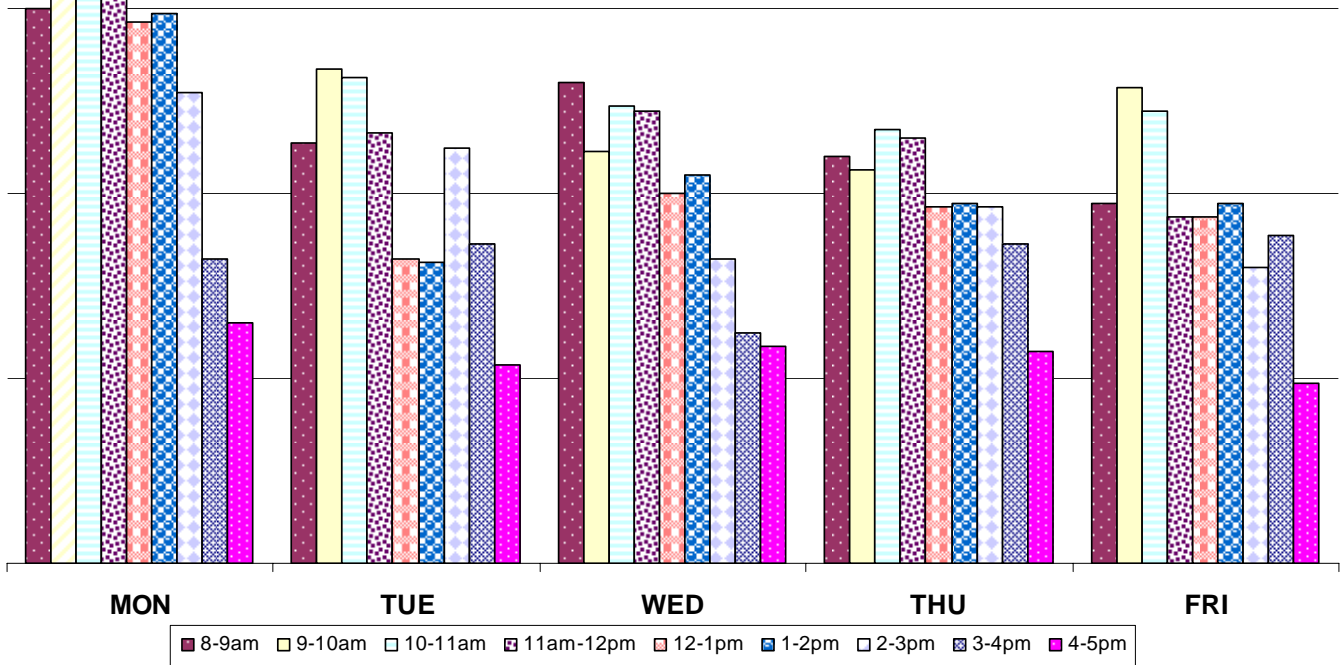
The above chart displays typical call volumes to the contact center by time-of-day and day-of-week. In addition, the center experiences higher than normal call volumes on the first Monday of a month or the first business day after a holiday.
The Consumer Sales & Service Center handles calls from residential customers.

BUSINESS SOLUTIONS CENTER

General (Small and Medium) Business Customers
Phone Number: 643-4411
Hours of Operation: Monday-Friday, 8am - 5pm

Legend: ■ 8-9am □ 9-10am □ 10-11am ▦ 11am-12pm □ 12-1pm ■ 1-2pm □ 2-3pm ▨ 3-4pm ■ 4-5pm

The above chart displays typical call volumes to the contact center by time-of-day and day-of-week. In addition, the center experiences higher than normal call volumes on the first Monday of a month or the first business day after a holiday.

The Business Solutions Center handles calls from general business customers. Large business customers should contact their respective Hawaiian Telcom account manager.